

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 1667-01
BILL NO.: HB 750
SUBJECT: INSURANCE - MEDICAL; RETIREMENT - STATE; STATE
EMPLOYEES
TYPE: ORIGINAL
DATE: FEBRUARY 27, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
ALL FUNDS	(\$4,379,540)	(\$4,379,540)	(\$4,379,540)
TOTAL ESTIMATED NET EFFECT ON <u>ALL</u> STATE FUNDS	(\$4,379,540)	(\$4,379,540)	(\$4,379,540)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
NONE			
TOTAL ESTIMATED NET EFFECT ON <u>ALL</u> FEDERAL FUNDS	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
LOCAL GOVERNMENT	\$0	\$0	\$0

NUMBERS WITHIN PARENTHESES: () INDICATE COSTS OR LOSSES.
 THIS FISCAL NOTE CONTAINS 5 PAGES.

FISCAL ANALYSIS

ASSUMPTION

OFFICIALS FROM THE DEPARTMENT OF INSURANCE, THE DEPARTMENT OF SOCIAL SERVICES, THE DEPARTMENT OF CONSERVATION, AND THE DEPARTMENT OF TRANSPORTATION ASSUME THIS PROPOSAL WOULD NOT FISCALLY IMPACT THEIR AGENCIES.

MISSOURI CONSOLIDATED HEALTH CARE PLAN (HCP) OFFICIALS STATE THE PROPOSAL WOULD ALLOW PAST STATE RETIREES TO ELECT COVERAGE UNDER THE MISSOURI CONSOLIDATED HEALTH CARE PLAN. HCP STATES THE PROPOSAL WOULD PROVIDE FOR AN ADDITIONAL ENROLLMENT PERIOD FOR RETIREES WHO DID NOT ELECT TO CONTINUE COVERAGE AT THE TIME OF RETIREMENT, WHO DROPPED COVERAGE SINCE RETIRING, OR WHO TERMINATED STATE EMPLOYMENT AS A VESTED MEMBER AND ARE NOW CONSIDERED RETIREES. HCP STATES RETIREES WOULD BE ALLOWED TO ENROLL UNTIL DECEMBER 1, 2001. HCP STATES THAT MEMBERS WHO NEED THE INSURANCE WOULD BE THE ONES TO SIGN UP. HCP STATES THAT MOSERS RECORDS INDICATE THERE ARE 17,916 RETIREES WITH THE STATE OF MISSOURI. HCP STATES THE PROPOSAL ONLY ADDRESSES RETIREES, SO SURVIVORS ARE NOT INCLUDED IN THIS COUNT. HCP ALSO STATES THAT IT ALSO DOES NOT ADDRESS THE DEPARTMENT OF TRANSPORTATION OR THE DEPARTMENT OF CONSERVATION. HCP STATES THEY CURRENTLY INSURE 10,287. HCP STATES AN ADDITIONAL 7,629 MEMBERS WOULD BE AFFORDED THE

OPPORTUNITY TO JOIN HCP. HCP STATES THAT THEIR CURRENT CARRIERS BASED THEIR CURRENT PREMIUM ON THE POPULATION ENROLLED AT THE TIME OF THE BID. THIS PROPOSAL COULD SIGNIFICANTLY CHANGE THE COMPOSITION OF HCP'S RETIREE AND, CONSEQUENTLY, OVERALL TOTAL POPULATION. UNDER THE TERMS OF THE CONTRACT, IF NEW BENEFITS IMPACT THE COST OF PROVIDING SERVICES, THE HEALTH PLANS CAN REQUEST A RATE ADJUSTMENT.

HCP STATES THE FISCAL IMPACT OF THIS PROPOSAL IS VERY DIFFICULT TO ESTIMATE SINCE IT IS NOT KNOWN HOW MANY RETIREES MAY JOIN. TO CALCULATE AN IMPACT, HCP ASSUMES ONE-FOURTH OF THE ELIGIBLE BUT NOT CURRENTLY INSURED WOULD JOIN. THE FISCAL IMPACT OF THE RETIREES ENROLLING UNDER THIS OPTION AT THE CURRENT COST WOULD BE \$ 3,410,094 AND AN ADDITIONAL \$969,446 FOR THEIR DEPENDENTS. ~~IN ADDITION TO THIS CURRENTLY, THE AVERAGE COST OF THE HEALTH PLAN UNDER CONTRACT IS \$1,000 PER MONTH PER MEMBER. THIS IS A SIGNIFICANTLY HIGHER RATE THAN THE CURRENT RATE OF \$553 PER MONTH PER MEMBER.~~

CALCULATION:

RETIREE:

TOTAL ELIGIBLE: 7,629

ASSUME JOIN: 1,907

HCP CURRENTLY HAS 29% OF RETIREES IN THE UNDER 65 TIER AND 71% IN THE OVER 65 CLASS. HCP DISTRIBUTED THE ELIGIBLE RETIREES IN THE SAME MANNER.

65:
 1,907 X .29 553

65:
 1,907 X .71 1,354

ASSUMPTION (CONTINUED)

USING THE WEIGHTED (WTD) AVERAGE PREMIUM FOR EACH TIER:

WTD AVE PREMIUM: \$429.54
 X 553

MONTHLY COST: \$237,535.62

213.23
 X 1,354

\$288,713.42

MMRCD(12/00)

ANNUAL TOTAL COST: \$2,850,427.44 \$3,464,561.04
STATE S SHARE (54%): \$1,539,230.82 \$1,870,862.97
ADDED TO THE CURRENT FY02 APPROPRIATIONS REQUEST FOR
RETIRES OF \$20,606,279 TO PRODUCE A NEW TOTAL RETIREE COST
OF \$24,016,373.

HCP ASSUMES THE RETIREEES WOULD BE ABLE TO OPT FOR
DEPENDENT COVERAGE. TO CALCULATE THE DEPENDENT COST, HCP
ASSUMED THE SAME RATIO AS CURRENTLY EXISTS IN THE RETIREE
TIERS. THEREFORE, THE ELIGIBLE RETIREEES 65 COULD BRING
ALONG 210 DEPENDENTS AND THE 65 COULD BRING ALONG 311
DEPENDENTS. APPLYING THE SAME CALCULATION AS ABOVE, THE
DEPENDENT PORTION COULD COST \$969,445.73 PER YEAR. ADDED
TO THE CURRENT FY02 APPROPRIATIONS REQUEST OF \$5,231,077 TO
PRODUCE A NEW TOTAL RETIREE DEPENDENT COST OF \$6,200,523.

<u>FISCAL IMPACT - STATE</u>	FY 2002	FY 2003	FY 2004
<u>GOVERNMENT</u>	(10 MO.)		

ALL FUNDS

COSTS - ALL FUNDS
INCREASED STATE
CONTRIBUTIONS

RETIREES	(\$3,410,094)	(\$3,410,094)	(\$3,410,094)
DEPENDENTS	(\$969,446)	(\$969,446)	(\$969,446)
<u>TOTAL COSTS - ALL FUNDS</u>	<u>(\$4,379,540)</u>	<u>(\$4,379,540)</u>	<u>(\$4,379,540)</u>

ESTIMATED NET EFFECT ON ALL FUNDS	<u>(\$4,379,540)</u>	<u>(\$4,379,540)</u>	<u>(\$4,379,540)</u>
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<u>FISCAL IMPACT - LOCAL</u>	FY 2002	FY 2003	FY 2004
<u>GOVERNMENT</u>	(10 MO.)		

\$0	\$0	\$0
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FISCAL IMPACT - SMALL BUSINESS

NO DIRECT FISCAL IMPACT TO SMALL BUSINESSES WOULD BE EXPECTED AS A RESULT OF THIS PROPOSAL.

DESCRIPTION

THIS PROPOSAL WOULD ALLOW STATE EMPLOYEES WHO RETIRED PRIOR TO AUGUST 28, 2000, TO ELECT TO BE COVERED BY THE STATE S MEDICAL PLAN. THE RETIREE MUST MAKE THE ELECTION BEFORE DECEMBER 1, 2001.

THIS LEGISLATION IS NOT FEDERALLY MANDATED, WOULD NOT DUPLICATE ANY OTHER PROGRAM AND WOULD NOT REQUIRE ADDITIONAL CAPITAL IMPROVEMENTS OR RENTAL SPACE.

SOURCES OF INFORMATION

DEPARTMENT OF TRANSPORTATION
DEPARTMENT OF SOCIAL SERVICES
MISSOURI CONSOLIDATED HEALTH CARE PLAN
DEPARTMENT OF INSURANCE
DEPARTMENT OF CONSERVATION

NOT RESPONDING: DEPARTMENT OF PUBLIC SAFETY - MISSOURI
STATE HIGHWAY PATROL



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DIRECTOR

FEBRUARY 27, 2001